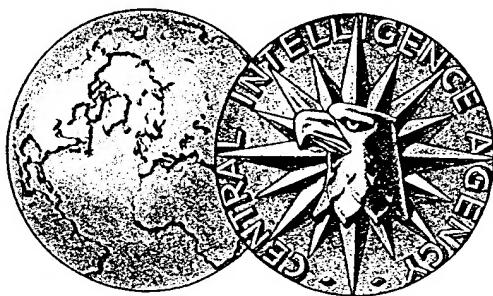


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CURRENT SITUATION IN GREECE



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CURRENT SITUATION IN GREECE

SUMMARY

The Greek guerrilla war, which started in 1946, virtually ended in August 1949 with the victories of the Greek armed forces in the Vitsi and Grammos areas. Sporadic guerrilla activity will continue, but the number of guerrillas now operating in Greece is less than a thousand as compared with 25,000 in early 1949. As a result, the Greek Government has been able to lift martial law and undertake a program of military retrenchment. US-UK military aid and the termination of Yugoslav support to the guerrillas were important factors in the guerrilla defeat.

The Soviet-directed Greek Communist Party still pursues its objective of communizing Greece and has embarked on a program of political and economic subversion in place of large-scale military activity. Greece will thus be plagued for some time to come by the new Communist tactics, but Communist strategists are not likely to resume the costly war unless conditions in Greece and the Balkans provide some assurance of victory. These conditions will probably not obtain for at least a year or more.

With the military emergency over, the Greeks will have greater opportunity for political readjustment and economic rehabilitation. A return to political "normalcy," however, does not necessarily include the establishment of stable government. Already political leaders who were impelled by the national emergency to display at least some measure of cooperation for the common good are reverting to their old tactics of self-seeking and of putting party above national interests. The coalition of Liberals (centrists) and Populists (rightists) which came into power in September 1947 and managed to survive the guerrilla war years broke up in January 1950. It

has been replaced by a non-political "service" cabinet, now preparing for general elections to be held in early March.

There have been rumors that Marshal Papagos, the popular Commander in Chief of the armed forces, might enter the contest for the premiership, but the King will probably keep him in reserve against the possibility of some future emergency; the authoritarian implications of a government headed by such a figure might have serious repercussions. If Papagos does not run, the elections are not expected to produce significant changes in the political composition of Parliament. The early post-election government, probably under Liberal or Populist domination, may enjoy an initial period of stability, but eventually major differences will tend to make it difficult for the government to retain the necessary parliamentary support. Under such circumstances, the inability of the government to act effectively may necessitate new elections, while pressure may recur in some quarters for the establishment of "strong government."

Although Greece made progress in economic rehabilitation even during the guerrilla emergency, serious problems remain. Population growth and the need to reduce the heavy trade deficit will require maximum utilization of the limited Greek natural resources, a substantial increase over prewar foodstuff and industrial production, and strenuous efforts to promote exports. Financial stability, a prerequisite for an intensive reconstruction and development program, is threatened by long pent-up inflationary pressures, including the demand of labor for higher wages. Nevertheless, with ECA allocations in prospect through the fiscal year of 1952, and in the absence of new Communist threats from the north,

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It contains information available to CIA as of 31 January 1950.



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Greece may be expected to attain prewar production levels and a generally more stable economy during the next two years.

During their period of reconstruction, the Greeks will continue to depend heavily on advice and aid from the West, particularly the US. With its large military and other aid missions, the US has already contributed immeasurably to the survival of Greece without

becoming excessively involved in Greek internal affairs.

While the Greeks are prepared for the gradual reduction of US aid, the problems they still have to solve are so difficult that abrupt and complete termination of outside assistance might well produce general disillusion and chaotic conditions. Such circumstances would signal the full-scale renewal of the Communist bid for power.

CURRENT SITUATION IN GREECE

1. Military Situation.

The Greek guerrilla war, which overshadowed all non-military developments in Greece from 1946 to 1949, began to draw to a close with the rout of the main guerrilla force from the Vitsi and Grammos areas in August 1949. Although sporadic guerrilla activity continues, the general situation justifies both the lifting of martial law in Greece and a program of military retrenchment. The three main factors in the survival of an independent Greece have been US-UK military aid, the Greek military effort, and Tito's defection from the Cominform. The Greek Communist leadership, admitting defeat in the critical operations of 1949 and professing "peaceful" intentions for the time being, has shifted to a new program which stresses exploitation of economic and political weaknesses rather than military activity in Greece, thus relieving the USSR of its responsibility of providing material support to the rebels. In view of the present weakness of Greek Communism, the uncertainties in the Balkan situation, and the prospect of the reduction of US aid to Greece, Soviet strategists will probably not attempt to revive large-scale Greek guerrilla operations within the next year or more but will continue the struggle for Communist supremacy by other means.

Guerrilla strength and activities within Greece have receded to a very low level during recent months. As a result of attrition throughout the year and evacuation of the major forces into Albania and Bulgaria, the number of guerrillas operating in the country has dropped from a high of approximately 25,000 in early 1949 to less than a thousand.*

* Approximately one-half of the guerrillas within Greece are in small scattered groups south of the Bulgarian border (the "C" Corps area); a few remain in the area to the west where the main strength of the Greek Government forces is maintained ("A" and "B" Corps areas); and small scattered groups are found elsewhere in the country and on some of the islands. See map.

Casualties among guerrilla leaders were relatively high throughout the year, and large stocks of heavy weapons and other matériel were lost at Vitsi and Grammos. Yugoslav aid, which had been dwindling for some time, was to all intents and purposes shut off by mid-1949. The outlawed Greek Communist Party (KKE), which has aided the guerrilla forces with funds, supplies, intelligence, and recruits, has now had its network almost totally disrupted by Greek Army and security action.

Although the guerrillas may constitute a potential danger to Greece because of their 25,000 or more reserves outside the country, these reserves are not now prepared for sustained, large-scale operations. Except for the 5,000 or so remaining in Albania and Bulgaria, these reserves have been moved to the northern satellite states where the Kremlin evidently intends that most of them, along with large numbers of Greek children and non-combatant sympathizers, should settle down for the time being to non-military pursuits. If Yugoslavia were re-integrated into the Cominform bloc, the Greek guerrilla manpower potential would, of course, be strengthened by some of the several thousand Greek guerrillas and families now sheltered in Yugoslavia.

During the next six to twelve months, however, Greek guerrillas can hardly expect more than a minimum of outside material support. Although their strategy probably calls for the continuation of a limited program of sabotage, terrorism, raids, and recruiting by small, armed squads often led by local political commissars, their capabilities will be held in check by continued casualties. Meanwhile the Greek Communist Party is apparently trying to move ahead in a way that will make the Greek nation relax its measures against Communism, while the Communists themselves emphasize "political and economic struggles" and the internal rehabilitation of their party.

In contrast to the drop in the capabilities of the Greek guerrillas, those of the Greek

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armed forces rose considerably in 1949, as a result mainly of US military aid and concerted US-UK-Greek efforts to remedy Greek military deficiencies. When Alexander Papagos was appointed Commander in Chief in January 1949, he insisted on freedom from parliamentary interference in his exercise of command, while he demanded increased aggressiveness from Greek forces conducting search-and-pursuit tactics throughout the country. The comprehensive operational plan which had been put into effect in December 1948 with the Peloponnesus operation reached a climax with the northern frontier operations in August 1949. Before and during important ground operations, there was effective local security action, and naval and air cooperation was excellent at all times. Efforts to improve the efficiency of the armed forces further during the retrenchment program will tend to offset scheduled personnel reductions and the demobilization of many combat veterans.

The projected changes in the personnel strengths of the various Greek armed forces during the course of military retrenchment are shown in the table below.

Among the measures being taken to offset the reduction in the personnel strength of the

Greek armed forces are the replacement of matériel worn out in battle and the supplying of other necessary equipment, including artillery, light automatic weapons, armored vehicles, and trucks. The ECA-sponsored program of road improvement (see map) will be of some help in improving the mobility of the Greek Army. The projected new road across the Pindos Range not far from the Albanian border will for the first time give Greek forces a route for rapid east-west movements in that critical area.

Meanwhile, the gradual return of more nearly normal conditions will still leave Greece with certain problems concerning military preparedness and internal security. Although the morale of the Greek armed forces is still good, a drop in vigilance has been part of the psychological letdown following the past summer's victories and the beginning of demobilization and reorganization. Furthermore, command of the army will fall to men of less prestige when Marshal Papagos retires—an event foreshadowed by his attempt to resign early in January 1950. It is doubtful whether Papagos' successor will be able to carry on his firm command policy or to maintain freedom from political interference. In addition, the

PERSONNEL STRENGTH, GREEK ARMED FORCES

	31 JULY 49 (actual)	1 JAN. 50* (authorized)	1 JAN. 51** (authorized)
Army	143,504	147,000	80,000
National Defense Corps (under army command)	46,443	0	0
Category "C" (politically unreliable, from both army and NDC)	13,250	10,000	0***
Gendarmerie	24,958	23,200	23,200
Civil Police	7,477	8,000	8,000
Ground Force Total	235,632	188,200	111,200
Navy	13,584	12,000	7,000
Air	7,484	6,500	5,700
Grand Total	256,700	206,700	123,900

* At first stage in retrenchment.

** After conclusion of retrenchment.

*** Responsibility for this category is to be transferred to a civilian agency.

problem of training will still offer difficulties as the Greek armed forces endeavor to adapt themselves to their peacetime role.

As a result of these factors and the Communists' avowed program of primarily non-military activity in Greece during coming months, the responsibilities of the Greek gendarmerie will be greater than heretofore. Although its problem in maintaining internal security will be complicated somewhat by the existence of armed villagers and a few small extreme rightist bands, the gendarmerie is traditionally better constituted than the army for the permanent assignment of controlling local disorders and Communist terroristic and subversive activities. In the event that the guerrilla command attempts a large-scale resurgence at some time after Greek military re-trenchment has been completed, the gendarmerie will be the Greek Government's most expeditious means of taking preventive action before the other forces are fully mobilized.

2. Political Situation.

The passing of the military emergency has given Greece the opportunity to prepare for the 1950 elections and has paved the way for a gradual return to a more nearly normal political atmosphere. This does not necessarily assure Greece of political stability, however, because political maneuvering, frequent governmental changes, and extremist tendencies are all traditional, and are likely to become increasingly common now that military operations have virtually ceased. Recently reawakened tendencies toward partisan politics hastened the break in the coalition government and the installation of a temporary non-political "service" cabinet, which is charged with holding elections. The elections are not likely to produce a particularly effective government with a clear parliamentary majority. It is possible that the King may eventually intervene to replace the regular leadership with an authoritarian regime under the popular Marshal Papagos.

The relative political stability of the past few years has been achieved mainly because the politicians and the country at large responded to a compelling appeal to patriotism in the face of the Communist bid for power. Even so, the US and UK have had to exert

pressure from time to time to prevent party differences from endangering the national anti-Communist effort and undermining the coalition of Liberals (centrists) and Populists (rightists) which governed from September 1947 to January 1950. Outbursts of factionalism at times caused the King to consider setting up a government with authoritarian powers, but this very possibility spurred the major party leaders to keep the coalition alive as long as possible with relatively few changes. Beginning in early 1949, the coalition actually gained effectiveness in meeting day-to-day needs by centralizing its policy-making function. No essential change in policy followed the elevation of 74-year-old Alexander Diomedes, a nominally independent, Liberal-minded financier, from his post as Deputy Prime Minister after the death of Liberal Prime Minister Themistocles Sophoulis in June 1949.

Political preoccupations began to assume prominence soon after the rout of the guerrillas' main forces in August and threatened to interfere with the execution of important government policies, but the Populist-Liberal coalition still continued. On 5 January 1950, however, Liberal chief Venizelos withdrew from the cabinet with the other Liberal ministers, and the coalition cabinet was dissolved. The almost simultaneous resignation of Commander in Chief Papagos was subsequently withdrawn, as the King on 6 January appointed John Theotokis to head the pre-election "service" cabinet. Elections have now been scheduled for 5 March, with the first meeting of the new Parliament set for 30 March. In spite of initial suspicion of Theotokis' intentions and of possible dabbling by King Paul in the field of politics, the "service" cabinet has apparently proceeded promptly with election preparations.

The outcome of the elections and the future of the Greek Government will depend not only upon the way in which the Theotokis Cabinet carries out its mandate, but also upon the attitude of Marshal Papagos, who enjoys considerable popularity as the result of his military leadership. Most of the regular Greek political leaders are strongly opposed to Papagos' entry into politics, out of fear that his

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prestige would win him overwhelming popular support, enabling ambitious men such as Spyros Markezinis, capable young political friend of Papagos and King Paul, to ride to power. They fear such a development might result, furthermore, in the extension of governmental powers beyond constitutional limits—to the detriment of the established political parties and the nation's reputation abroad. Although a government under Papagos would probably enjoy the initial support of many Greeks, its authoritarian implications would have unfavorable repercussions on world opinion and, if borne out by subsequent developments—such as the abrogation of Parliament or the coming to power of men less beneficent than Papagos—would eventually alienate most Greeks as well. The failure or unpopularity of such a government would, in addition, reflect on the King's position and probably revive the traditionally disruptive conflict between monarchism and republicanism. Papagos himself, approaching the age of retirement, not in the best of health, and lacking zest for the turmoil of politics, has maintained an ostensibly aloof attitude. While dissatisfaction with the regular political leadership has at times prompted the King, as well as influential political, financial, and newspaper elements, to consider drafting Papagos for the premiership, the King has recently indicated an intention to hold him in reserve for some future crisis.

If Papagos does not enter politics before the elections, no single candidate of outstanding vote-getting ability can be expected to appear, and the changes in the political composition of the Parliament are not likely to be great. The rightist Populists, who won a plurality in the 1946 elections, are likely to lose some strength to center and minor rightist groups, while the second-ranking Liberals will probably gain from the moderate right and from other centrist elements. Total Liberal-Populist strength in the new Parliament will probably not differ greatly from the present figure of about 60 percent. The early post-election government, probably under Liberal or Populist domination, may enjoy an initial period of stability in view of its new mandate. Subsequently, however, as differences over policy

and execution become more acute, the government will have greater difficulty in commanding an assured majority, and new elections may have to be called. Meanwhile, the maneuvering of minor groups such as those of the extreme rightist Maniadakis and the left-centrist Plastiras may take on increasing significance, perhaps leading temporarily to new political combinations under either Populist or Liberal domination, but tending in the long run to encourage any government to take strong measures so that it could remain in power. It will become increasingly difficult to carry out Western moderating advice as the amount of foreign aid gradually goes down and internal Greek political pressures rise.

No matter what its complexion after the 1950 elections, the Greek Government will have great difficulty in executing the political, economic, and military measures that Greece needs. Post-election political tensions and the desire for party spoils may seriously hamper governmental reorganization and decentralization, and will tend to lower the stability of the government itself. Although most Greek political leaders will reflect the popular determination not to re-legalize the old Communist organization, the degree of leniency to be tolerated in the anti-Communist program is likely to cause controversy, adding to the difficulty of again achieving major party cooperation.

3. Economic Situation.

With military operations virtually ended and the gains of the past two years of US aid and advice beginning to register, Greece is now in a position to concentrate on economic recovery and development. Nevertheless, the country faces serious handicaps. Most of the \$1.9 billion (equivalent) of aid received from foreign sources since the liberation of Greece in late 1944 has perforce been used up in meeting immediate military, consumer, and relief needs. Thus the country must exert strenuous efforts to make up for lost time in utilizing its \$263.3 million fiscal year 1950 ECA allocation and the subsequent two years of ECA aid still in prospect. Moreover, the economic inheritance of Greece is a troublesome one, involving population stresses, agricultural and industrial backwardness, heavy wartime and

guerrilla destruction, and postwar dislocations in trade and foreign exchange patterns. While notable improvements should now be forthcoming, it is doubtful whether the Greek economy will be functioning at a sufficiently high level by 1952 to obviate some further foreign assistance.

Significant economic progress has been made during the past year, but most of it has been in the fields of transport reconstruction, and refugee resettlement, and in generally laying the groundwork for later phases of the development program. Under the US-financed program for reconstruction of important rail and road facilities, now in its second year, the key railways from Athens to Salonika and from Salonika north to the Yugoslav border have been reopened, and some 1,200 kilometers of highway have been reconstructed. More ambitious projects were postponed because of guerrilla interference and the need for funds to finance the relief and rehabilitation of the 700,000 refugees of the guerrilla campaign. The improvement in internal security during recent months has permitted the return to their homes of perhaps 500,000 of the refugees, and the rest will probably be resettled in the spring. Their resettlement and rehabilitation will eventually prove of great importance to the economy, not only by removing an important budgetary drain (estimated at \$42 million for the fiscal year 1950) but also by restoring the productive contribution of this group, which constitutes almost one-tenth of the population.

The Greek economy has thus far made only limited advances in productivity. Agriculture, on which the economy rests, made an early postwar recovery, and 1949 production will perhaps exceed the 1948 level (87 percent of prewar). Nevertheless, population growth and the need to economize on imports will require a substantial increase over prewar food-stuff production. In part, the need for greater production will be taken care of by refugee resettlement, land reclamation, a more widespread distribution of fertilizers and equipment, and other measures to improve agricultural production. There is great necessity, however, for price incentives, which until recently have been held in check in order that

the general cost of living might be held down. Industrial production—hampered by high costs, inadequate capital, limited consumer purchasing power, business uncertainty, and guerrilla destruction—has lagged behind agriculture, although the general industrial index has risen to about 90 percent of prewar. (But for the disproportionately large increases in the production of electric power and certain consumer items, the industrial index would be nearer 80 percent.) The mining industry, faced with problems similar to those of the manufacturers, achieved only 18 percent of the prewar production rate through most of 1949.

Greek export trade has meanwhile suffered under a number of handicaps. The competitive position of Greece has been weakened by low production, high costs, and (until recently) overvaluation of the drachma. The country has also suffered because of loss of its prewar markets in Germany and central Europe and because of its difficulties in selling abroad the two semi-luxury products, tobacco and dried fruits, which represent the principal Greek exports. The barter and subsidy measures used thus far in stimulating exports have been relatively ineffective.

Devaluation of the drachma, on the other hand, has facilitated Greek export promotion, and by the end of the fiscal year 1950 Greek export totals will probably be somewhat higher than in any other year since World War II. The greater measure of internal stability, together with devaluation of the drachma, has generally improved the country's chances of recovering more of the invisible foreign exchange earnings (such as emigrant remittances and shipping profits) which, in prewar years, helped bridge the equivalent \$50 million gap between imports and exports. Nevertheless, strenuous efforts will be needed to expand Greek foreign exchange and to develop internal sources of such presently imported necessities as foodstuffs, fuel, and fertilizers. Since liberation, Greece has needed an average of over \$200 million in foreign subsidy each year to meet its balance-of-payments deficit, which, although it may be reduced in the fiscal year 1950, will still be considerable.

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Despite the economic instability and huge expenditures generated by the guerrilla war, the Greek Government, with US aid and advice, has managed to head off runaway inflation. The value of the drachma has been supported periodically by government sales of gold on the open market. Credit controls, a partial wage freeze, and a limited amount of rationing and price control have been maintained, and special efforts have been made to improve the flow of consumer goods from abroad and to defer reconstruction projects which might have inflationary effects. The early after-effects of devaluation, moreover, have been surprisingly favorable: the cost of living has been held relatively stable by an import subsidy, while increased public confidence in the currency has been marked by the influx of hoarded foreign exchange into government hands.

Inflationary pressures, however, are still present. With the fading of the guerrilla threat, Greek labor has raised long-deferred demands for an increase in wages, and it appears more and more unlikely that government efforts to forestall the issue on patriotic grounds will prove effective for very long. Spurring labor's demands is the fact that wages have lagged about 30 percent behind the steadily mounting cost of living, now about 300 times the prewar level. Nevertheless, the granting of a general wage increase would not only tend to inflate prices but would also place a serious burden on a national budget already overloaded with refugee, military, and import subsidy costs. Even if the contemplated cuts in the military budget and probable reductions in the import subsidy are effected, the 1950 fiscal year budget deficit may run as high as 1,500-2,000 billion drachmas (\$100-133 million); this will necessitate the further diversion of ECA counterpart funds (some 60 percent have already been transferred to cover budget deficits) which would otherwise be available for reconstruction.

Meanwhile, however, plans for the acceleration of reconstruction and rehabilitation measures are going forward. If other budget expenses can be held down, 1 trillion drachmas (\$66.6 million) may be used during the

fiscal year 1950 for such varied purposes as housing, transportation, agriculture, irrigation and land reclamation, rehabilitation of the tourist and mining industries, and development of civil air facilities. Further efforts will be made to advance the long-term program for industrial expansion, already initiated with German reparations, as a means of absorbing the surplus agricultural population and decreasing the dependence of Greece on imported fuels, fertilizers, and manufactured goods. Work will be initiated on the important 6-year program for the development of hydroelectric power, for which a preliminary survey was completed this year. In general ECA will continue its efforts to bring about a reformation in the outmoded and chaotic governmental, financial, administrative, business, labor, and trade structure, and to train selected Greeks in a variety of technical skills.

The success which the program will have in making the Greek economy more stable, more efficient, and more nearly self-supporting is clearly limited by the immensity of the obstacles it faces and the uncertainty of the Greek political and military future. ECA/Greece has recognized that the program itself will tend to increase the already great inflationary pressures, unless coupled with an increase in the supply of consumer goods. Should serious inflation threaten as a result of general wage increases or lessened confidence in the government, the program might have to be retarded in the interests of financial and political stability. However, given a steady application of US aid and advice, a gradually increasing flow of private investment, and an absence of new Communist threats from the north, Greece should, during the next two years, be able to repair the ravages of war, attain prewar levels of production, and make substantial progress toward a more stable economy.

4. International.

The strategic value of Greece to the USSR and the country's heavy dependence on US moral and material support continue to be the major factors in Greek internal and foreign affairs. While Greek Communist setbacks and the Kremlin's preoccupation with

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the Tito problem in recent months have reduced the immediacy of the USSR's designs on Greece, the Soviet aim of eventually bringing Greece under Communist control seems unmodified. Greece still remains highly vulnerable to pressure and penetration along its northern frontier. Despite the native vigor of the Greek people, they must for some years to come rely on Western support to rebuild their economy and to deter further Communist aggression.

Official relations between Greece and the USSR have been very cool, and diplomatic representation has been left to *chargés d'affaires* ever since 1946 when the Kremlin refused to participate in observing the Greek elections and denounced the elections and plebiscite which put the present parliament in office and restored the Greek monarchy. Since then, Soviet hostility toward Greece has been demonstrated not only through Soviet backing of the three-year-long guerrilla campaign but also through persistent vilification of the Greek Government. In recurrent "peace" proposals, notably the oft-repeated terms advanced by Gromyko in April-May 1949, the USSR has attempted to obtain entry into Greek affairs as the price for calling off the guerrilla war.* Relations between the USSR and the US-oriented Greek Government will undoubtedly remain hostile. Should the internal situation of Greece again deteriorate, the Kremlin might turn more of its attention back toward stimulating unrest in Greece even if the Soviet-Yugoslav conflict remains unresolved.

Greek relations with the Satellites have been at least equally strained; even in the case of Czechoslovakia, which has a *chargé d'affaires* in Athens, commercial relationships have been virtually terminated by Greek cancellation of Czech air transit rights within Greece. Relations with Albania and Bulgaria have been particularly hostile because of the

* These terms included a general amnesty for guerrillas, the holding of elections under international (including Soviet) supervision, the dissolution of UNSCOB (which the USSR has consistently considered illegal), the inclusion of the USSR on any new border commission, and withdrawal of the US and UK military missions from Greece.

preeminence of these countries in furnishing active help to the guerrillas, but also reflect the history of World War II and certain long-standing territorial differences, including Bulgarian aspirations regarding Thrace and Eastern Macedonia, and Greek claims to part of southern Albania (Northern Epirus). The latter issue is currently the more explosive. Albania and Bulgaria, which have firmly resisted UN efforts to restore their normal diplomatic ties with Greece, have demanded that Greece first make a formal renunciation of its claim to Northern Epirus.

In the summer of 1949, Greek bitterness toward Albania (with which Greece is still technically at war) threatened to produce open hostilities when, with the reduction of the guerrilla strongholds in the Grammos-Vitsi area, the idea of pursuing the guerrillas across the Albanian frontier gained sudden currency both in military circles and among the Greek public, while the hope of obtaining Northern Epirus was scarcely concealed even among the moderates. The government, however, officially pledged itself, after Western moderating advice, to take no such action. Although the Greeks are not likely to engage in adventures in Albania without Western acquiescence, the creation of a political vacuum by a marked deterioration of the Albanian regime's internal authority or a major revival of Greek guerrilla activity based on Albania would again raise the question of Greek intervention.

Thus far, no significant strains have developed in the relationship between Greece and the US and UK, a relationship based on long-standing cultural and economic ties as well as on present practical necessities, and major differences between Greece and its Western associates are not likely to develop. The US has been generally successful in making its influence felt without becoming unduly involved in the conduct of Greek internal affairs. US counsel has contributed materially to the new emphasis on professional proficiency in the armed forces and to the initiation of important economic measures. While Greece has generally gone its own way in the UN, the Greeks have followed the US lead in affairs of direct mutual concern. Even in such touchy matters as the current reduction

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in size of the army the Greeks have usually acquiesced fairly readily to the US position. Now that the immediate threat of Communism has abated, however, the Greeks will tend to be less sympathetic toward US pleas for political and economic reform and may expect greater freedom in handling the aid received.

The traditional Greek-British friendship has not been impaired by the fact that the UK's role in Greek affairs has since 1947 been secondary to that of the US. While the UK's active participation in Greek matters has recently been reduced even further by the departure of the 3,000-man token force that remained in Greece during the guerrilla war and by the initiation of reductions in the British military mission, British influence will continue to be exercised through its naval and police missions and through its commercial interests in Greece. Recurrent expressions of Greek aspirations in Cyprus will probably place some strain on Anglo-Greek relations, but it is unlikely that the Greek Government will risk the loss of British friendship by pressing the issue in the near future.

The development of the Tito-Cominform rift has caused Yugoslavia to leave the ranks of the avowed foes of Greece but has not yet made it into a friend. Once the chief backer of the Greek guerrillas, Yugoslavia grew cooler toward them as it became clearer that the guerrilla leadership would be ranged with Tito's Cominform opponents. Signs of a progressive reduction in Yugoslav shipments of arms and equipment to the guerrillas began to appear by the spring of 1949, after the Greek Communist leadership (by then completely dominated by the Cominform) had made its abortive bid for Slavo-Macedonian support. On 10 July 1949 Tito cut off the guerrillas from all active Yugoslav assistance by closing his border with Greece. Since then the Greek Communist Party has been openly hostile to the Tito government; the party has not only made Tito the official scapegoat for its military setbacks but has accused him of plotting with the Greek authorities to create a rival, anti-Cominform Communist organization in Greece.

Despite some actual easing of Yugoslav-Greek relations, grounds for mutual suspicion between Athens and Belgrade still exist. From the Greek point of view, Tito's continuing sponsorship of Slavo-Macedonian aspirations implies a perpetuation of Yugoslavia's old claims to Aegean (Greek) Macedonia, while his efforts to portray himself as a friend of "true" Greek Communism—including the sheltering of nearly 10,000 Greek children, numerous Greek Slavo-Macedonian refugees, and several thousand guerrilla reserves—underlines the bias in his attitude toward Greek internal affairs. On his part, Tito must act cautiously in moving toward even a limited rapprochement with a government he was wont to denounce as "monarcho-fascist," in view of the delicacy of his position as Soviet propagandists accuse him of collaboration with the West. Because of the basically different ideologies of Tito and the Greek Government, as well as basically different attitudes toward the Albanian and Macedonian questions, full rapprochement between the two countries is out of the question.

Yugoslavia has, nevertheless, been slightly more cooperative of late in the UN discussions of the Greek issue. Diplomatic contacts between the two countries and the relations of their border forces have improved somewhat in recent months, but official representation in the two capitals is still in the hands of *chargés d'affaires*. Some revival of mutual trade now seems to be a distinct possibility. The reopening of Yugoslavia's rail link to the Aegean has been advanced by the reconstruction of the Greek section of the railway and the partial repair of the connecting Yugoslav line. Yugoslavia may make possible the resumption of international service over this route by the summer of 1950, with some economic benefit to both countries and potential strategic value to Yugoslavia.

Further progress toward improved Yugoslav-Greek relations may well take place as the Tito-Cominform conflict continues its present course. The Greek Government, recognizing the heightened dangers which a Cominform victory over Tito would present, appears willing to deal with Tito realistically, a policy the more feasible because of prewar Greek-

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Yugoslav friendship, in contrast to the traditional Greek-Bulgarian animosity and Greek-Albanian territorial differences. For his part, Tito also seems desirous of improving Yugoslav-Greek relations, not only for the economic and strategic benefits which may result, but also as part of his long-range policy of generally bettering, as unobtrusively as possible, his relations with the West.

Greek ties with other Mediterranean countries have been slightly strengthened in the past year. Rapprochement with Italy, a major rival during the prewar era, has been furthered by the conclusion of an economic agreement settling outstanding peace-treaty issues. Diplomatic representatives have been exchanged with Israel; negotiations for the resumption of trade with Spain have taken place; and cultural and air agreements have been signed with Lebanon and Syria respectively. Although friendly relations have been somewhat dampened by new Egyptian efforts to place restrictions on Greek nationals residing in Egypt, greater trade with Egypt is in prospect.

Official relations between Greece and Turkey have continued good in spite of occasional outcroppings of popular antagonism. Turkey has extended somewhat greater freedom to the Greek minority in Istanbul, and a project is under way to promote cultural exchanges. Although some demonstrations have resulted in Turkey from the agitation in Cyprus for union with Greece, the common interests of Greece and Turkey as recipients of Truman Doctrine aid and as neighbors on the Soviet periphery will continue to override other considerations. Indeed, inasmuch as these two countries are not included in the North Atlantic Pact, the governments of both will probably seek to strengthen their friendly relations, and will also continue their efforts to interest the US in a regional security arrangement.

Since the Greek appeal to the Security Council in late 1946, the UN has played a symbolic and moral role in Greece, and overwhelming evidence collected by successive UN Balkan committees has convinced world opinion of the reality of the Soviet-sponsored aggression against Greece. The attention focused on Greece in the UN discussion may

have helped deter the Soviets from more blatant forms of aid to the guerrillas, although it did not curb the less openly aggressive support that maintained the guerrilla movement. Various UN efforts to work out a formula for normalizing diplomatic and border relations between Greece and the neighboring Satellites have met with little success. Since the 1948 UN recommendation (reaffirmed in 1949) for the repatriation of the 28,000 Greek children now in the Communist countries, no children have yet been released, and present Communist stalling tactics indicate that scarcely more than token numbers can be expected to return. Continuation of UNSCOB (UN Special Committee on the Balkans) for another year is an assurance of sustained international awareness of Soviet designs in Greece, but the Greeks have been disappointed in the effectiveness of UN support and still look directly to the US and UK for moral and material guarantees.

5. Probable Future Developments.

Freed of the immediate Communist menace and the restrictions of martial law, Greece will achieve considerable further internal improvement in the next few years, but will need some time to reach relative political and economic stability. The conflict between the concepts of a parliamentary or a dictatorial solution to the political problems of Greece will undoubtedly flare up again, and there is a distinct possibility that it will be resolved in favor of dictatorship, despite Western moderating advice, if parliamentary delays and political maneuvering should prompt the King to name a strong personality to head a government with extraordinary powers. The still more fundamental issue between monarchism and republicanism, almost entirely dormant since the 1946 plebiscite which brought back the monarchy, may gradually re-emerge as King Paul evinces a bent for dabbling in politics and as the nation undergoes a general slight shift from right toward center. Controversial economic issues such as the present unsatisfactory wage-price relationship, tax and other financial reforms, and the general difficulty of maintaining financial stability are likely to vex any government for the next few years.

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Although the actual reduction of the armed forces can probably be carried out without political repercussions so long as the Communists remain quiescent, political interference in military matters will undoubtedly be renewed when Commander in Chief Papagos resigns, an event that may take place soon after the 1950 elections.

The kind of military emergency that threatened Greek independence during the 1946-49 guerrilla war is not likely to recur during the next year or more unless the Greek internal situation deteriorates greatly and Greece again becomes available as a major staging area for guerrilla operations. Greek Government forces are not likely to be vitally affected by the retrenchment program as currently envisioned and will probably remain able to keep Communist pressure within Greece from becoming a serious military threat. Although effective control of the border against groups that may seek to filter into Greece will be impossible, the present outstanding weaknesses of the Greek Communist Party make it unlikely that the requisite support within Greece for a new guerrilla movement could be built up in a short period of time. Limited guerrilla activities of nuisance value are, nevertheless, likely to continue. Though there may be an attempt at increased activities during the coming summer, continued casualties will hold them in check. The Greek Communists' main efforts will probably be devoted to non-military activity at least a year or more.

No great change is to be expected in the relations of Greece with other countries, although a moderate improvement of Greek-Yugoslav economic relations appears to be in prospect. It will probably be almost impossible to translate into action the vague affirmations of the various Communist states, including Yugoslavia, to the UN's plan for the repatriation of Greek children taken abroad by the Communist rebels; the Greeks themselves will probably display less eagerness to call for the return of either children or adults

who have been thoroughly indoctrinated in Communism. The USSR will continue to be unfriendly to Greece, but Greece will probably not again become the primary target of Soviet hostility in the Balkan peninsula while the Kremlin is faced with Titoism. Greek claims to southern Albania will probably remain subdued under Western moderating advice, but a major revival of guerrilla activity based on Albania, or a political vacuum resulting from the marked deterioration of the Albanian regime's internal authority, would again make this problem most serious. Aspirations in Greece and in the British Crown Colony of Cyprus for the union of Cyprus with Greece are likely to result in growing agitation, despite the willingness of the Greek Government to try to keep this issue from impairing the traditionally very friendly Greek-British relations.

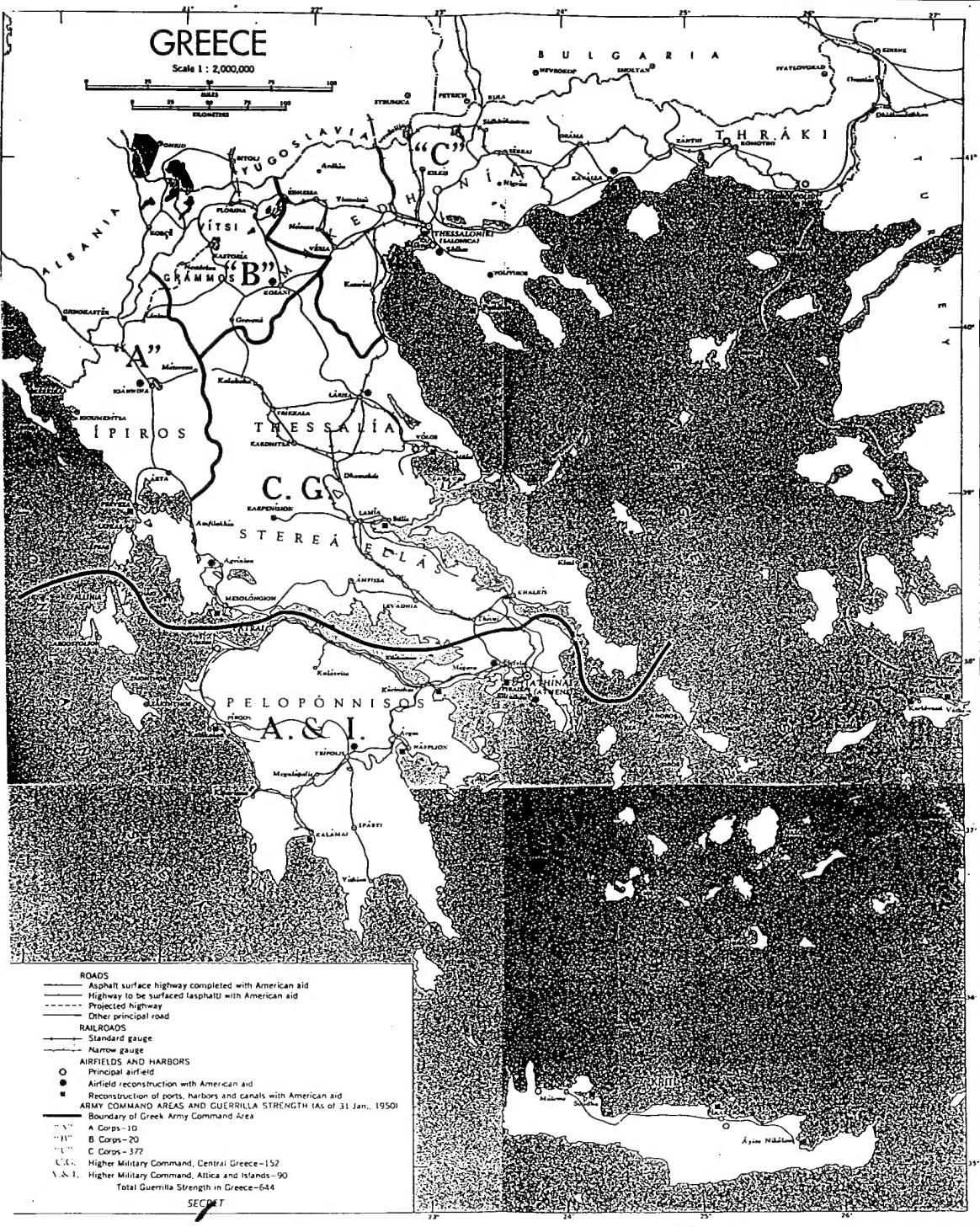
The US aid program will continue to be the most important single factor helping the Greeks to help themselves. In practically all phases of Greek policy, US aid and advice will continue to loom large as moderating factors. The well-being of the Greek economy will depend upon US aid to a considerable extent for several more years, and probably to some extent even after the end of the ECA program in 1952. The Greeks will be concerned about US intentions beyond the limits of the present aid program, and will seek assurances of continued, though curtailed, US aid for the years after 1952. While the gradual reduction of US aid through 1952 will be of real benefit in spurring the Greeks to become less dependent on outside help, the termination of the program at that time would probably leave them with certain residual problems that might, if unintended, seriously undermine the relative stability achieved up to that time. The fundamental orientation of Greece toward the US and the UK will probably remain unchanged so long as the Greeks feel that they will receive US-UK support against Balkan or Communist encroachment.

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GREECE

Scale 1 : 2,000,000

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MILES
0 100 200 300 400 500 600 700 800 900
KILOMETERS



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